

JOINT LEGISLATIVE OVERSIGHT COMMITTEE



Medicaid Budget Update

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Chief Financial Officer

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N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES

**We estimate a shortfall for the current fiscal year of
\$120 - \$140 million in state appropriations**

SFY2014 Total and State Estimated Shortfall

\$ in millions	SFY 2013-14 Estimate (a)	
	<u>Low</u>	<u>High</u>
Requirements	\$13,810	\$13,835
Receipts	10,223	10,228
Appropriations	\$3,587	\$3,607
Budgeted Appropriations	3,467	3,467
Surplus / (Deficit)	(\$120)	(\$140)

(a) Includes actual figures through March, 2014



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SFY2014 Estimate Assumptions

Claims Payments

- Actual figures through March 2014
- Assumptions for April - June reflect the same proportional level of spend as in the previous three fiscal years, after adjusting for known changes in spending
- Federal receipts based on average FMAP spreads for the previous three fiscal years for each category of service
- SFY2014 expenditures adjusted to reflect SY2013 levels due to payment issues made through NC Tracks

Cost Settlements

- Actual figures through March; methodology used to estimate the remainder of SFY14 consistent with the paid claims fund
- Assumes no additional revenue to the State for recoupments above what was budgeted for SFY 2014

Program Integrity

- Actual figures through March 2014
- Assumptions for April – June: Reflect the same proportional level of receipts as in the previous three fiscal years, after adjusting for known anomalies

Rebates

- Actual figures through March; methodology used to estimate the remainder of SFY14 consistent with the paid claims fund
- Current SFY includes issues identified by 340B review
- Uncertainty exists in the final estimate for drug rebates and will be updated once invoices are submitted in mid-May

Supplemental Payments

- Actual amounts paid through February 2014 are added to projected amounts paid in GAP/MRI model submitted to CMS to account for 3 quarters of payments in SFY 2014
- UPL payments are kept at budgeted amount for SFY 2014



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Factors impacting the \$120 - \$140 million shortfall

SFY2014 Total and State Estimated Shortfall

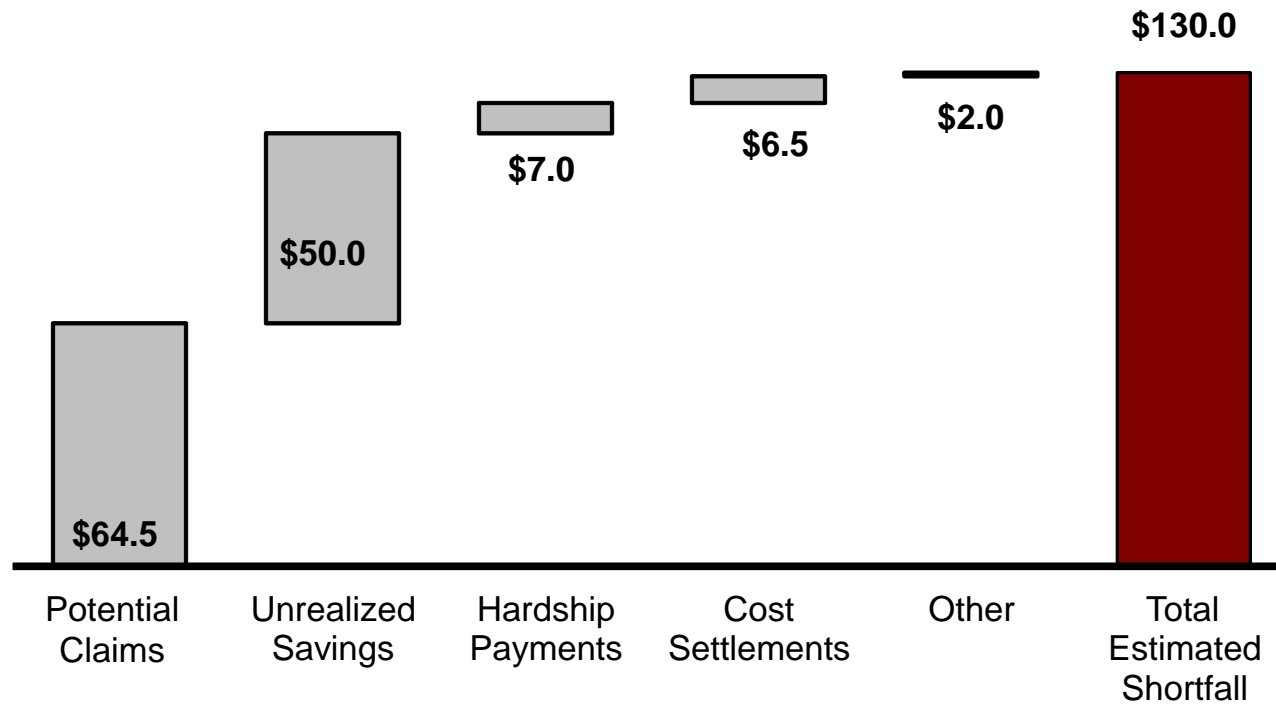
<i>\$ in millions</i>	Total Estimate		State Estimate (a)	
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
Potential Claims	\$161	\$215	\$55	\$74
Unrealized Savings	146	146	50	50
Hardship Payments	20	20	7	7
Cost Settlements	18	20	6	7
Other	6	6	2	2
Total	\$351	\$407	\$120	\$140

(a) State estimate assumes a basic FMAP rate of 65.76%



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SFY2014 Estimated State Shortfall (Mid-Point)





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The table below outlines potential claims for the current fiscal year:

SFY2014 Total and State Potential Claims Estimate

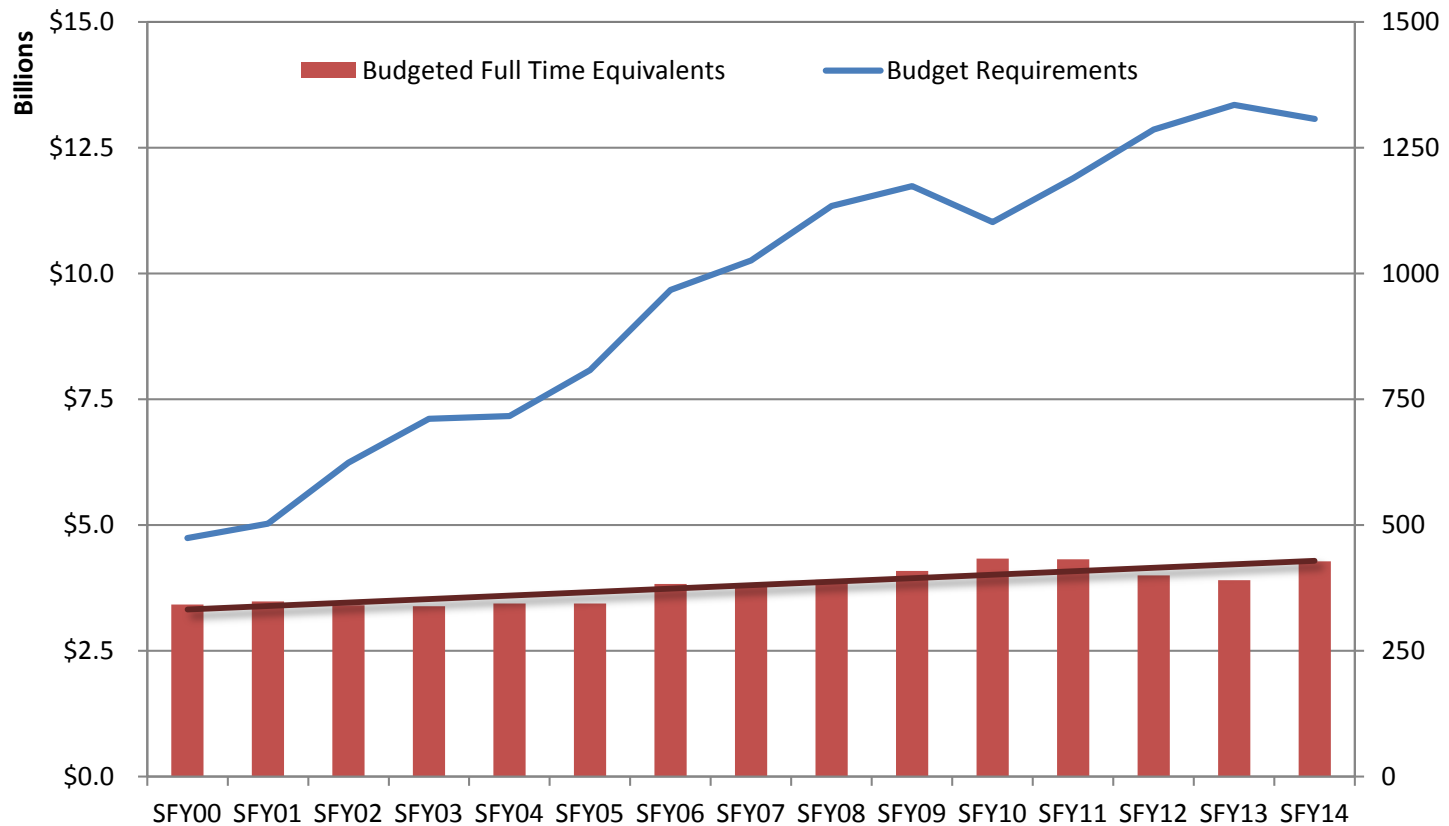
<i>\$ in millions</i>	Total Estimate		State Estimate (a)	
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
Potential Underpayments	\$102	\$131	\$35	\$45
Enrollment-Related	58	82	20	28
Total	\$161	\$216	\$55	\$74

(a) State estimate assumes a basic FMAP rate of 65.76%



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Since 2000, growth in Medicaid requirements has outpaced growth in DMA personnel



Source: DMA Human Resources Department



DMA Finance Operational Timeline

DMA Finance Milestones	2014											2015	
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		Jan	Feb
Develop Robust Financial Model (Forecast and Budget)													
Develop Quarterly Financial Reporting Package													
Develop Executive Financial Reporting Tools													
Develop Financial Policies and Procedures													
Strengthen Financial Controls													
Establishment of a Governance Structure													
Assist in Staffing and Training of Re-organized Finance Department													